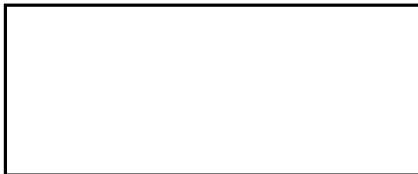


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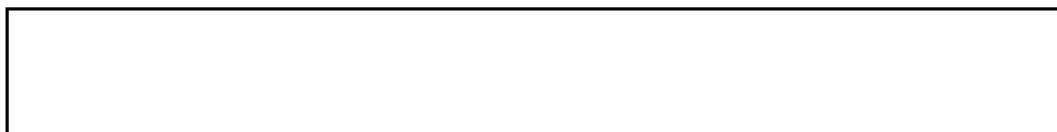
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2. France-Algeria: Paris apparently preparing to create Moslem-dominated interim government in attempt to break stalemate. (*Page ii*)
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5. India - Communist China: New Delhi planning to strengthen defenses along border by fall. (*Page iv*)
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9. Chile: Government interested in sale to USSR of 60,000 tons of copper per year for four years. (*Page vi*)



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France-Algeria: Paris apparently is seriously preparing to create a Moslem-dominated "provisional Algerian executive" or interim government in an effort to break the present stalemate over Algeria by a means short of De Gaulle's last-resort threat of partition. This measure may be taken in mid-September when the Delegation Generale, the central French administration for Algeria, is to be transferred 25 miles east of Algiers to the new administrative center at Rocher-Noir, and thus insulated from the capital's political tensions. "First-string" Moslem leaders have refused to serve on the executive, but the mayors of several secondary cities are said to have agreed. De Gaulle must move gingerly, however, because of continuing concern over the adverse reaction such a move might produce among the French military.

French officials in Algiers appear hopeful that the rebel Provisional Algerian Government (PAG) would not oppose the move flatly but would tacitly accept it as a useful device for the transition period prior to complete PAG control of Algeria. The PAG, though insistent that it is the sole representative of the Algerian people, has indicated that it would join with other Algerian elements, Moslem and European, in a provisional

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government during a transition period. If the composition of the executive were not worked out with the PAG, or the authority of the executive did not encompass the Sahara, however, the PAG could be expected to oppose the move and mount terrorist attacks on members of the interim government.

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Communist China: Additional information on developments in Communist China's commune system confirms that the system is continuing to undergo major changes, as the regime strives to bolster lagging farm output. Not only have production groups been broken up into smaller units, but ownership of land, tools, and draft animals reportedly has been transferred to the smallest farm units in some locales. This development, plus a reference on 4 August in Peiping's People's Daily to the re-establishment of "supply and marketing cooperatives," implies a return to the concept of rural cooperatives, the more loosely collectivized agricultural units of the mid-1950s.

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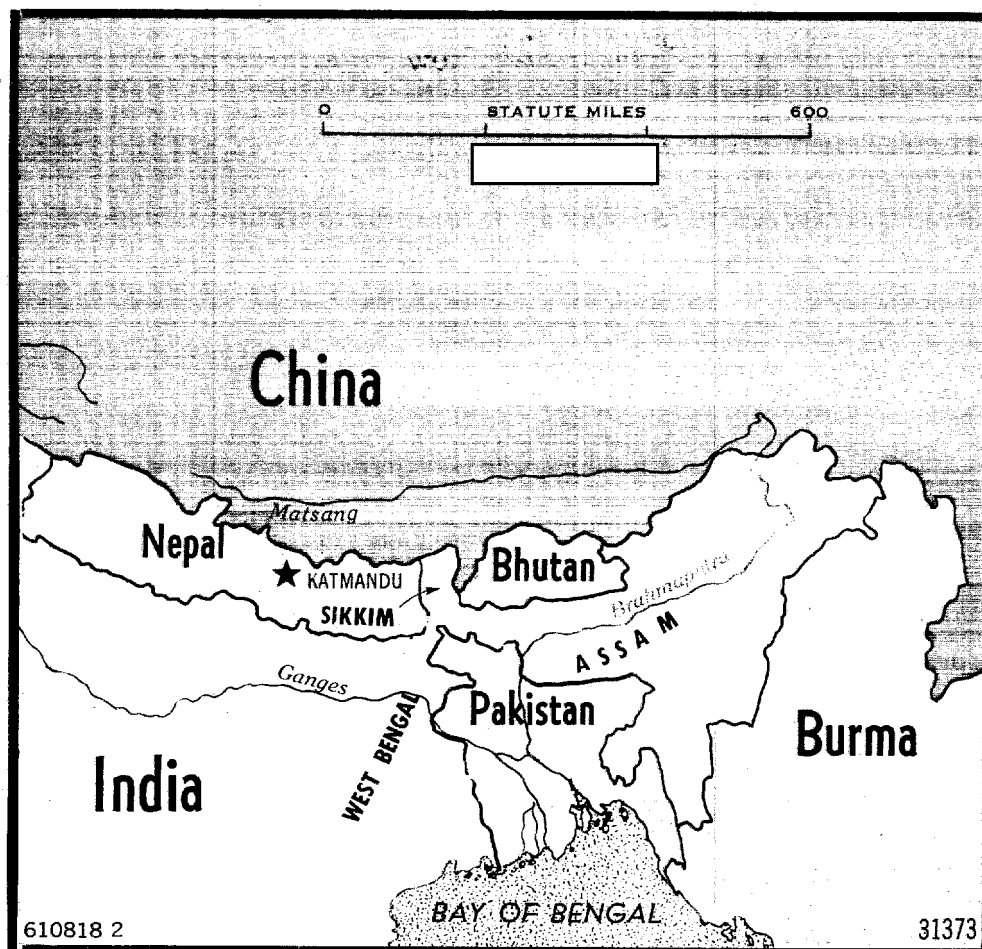
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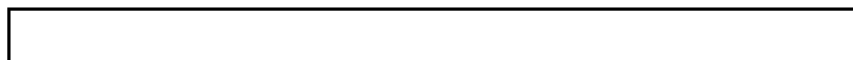
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COMMUNIST CHINA - INDIA BORDER AREA



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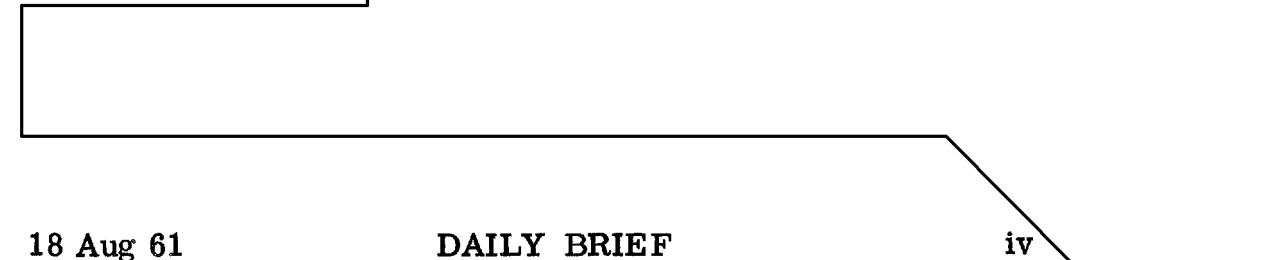
India - Communist China: New Delhi's contingency planning for the defense of the northeastern sector of India's border with Communist China continues to call for the strengthening of army units in the Sikkim, Assam, and northern West Bengal areas. A division headquarters has reportedly been established immediately south of Sikkim to improve operational control over units charged with Sikkim's defense. Indian military planners have apparently established the fall as the deadline in their efforts to plug the gaps in the country's northeastern defenses. The planners are being spurred on by continuing--probably exaggerated--reports of Chinese military activities and overflights in the Sikkim-Tibet border area.

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(Man)

UAR: The reorganization of the UAR cabinet and appointment of seven vice presidents by President Nasir on 16 August appear at least partially designed to give Cairo greater centralized control over both the Egyptian and Syrian regions. The cabinet will reportedly be located in Cairo, as will the separate executive councils previously seated in Cairo and Damascus. There appears to have been no major shake-up of personnel in the reorganization, and the leading figures of the Nasir regime still retain key positions. Nasir's Syrian security chief, Abd al-Hamid Sarraj, has been made UAR vice president for internal affairs. The vice-presidential duties and those of the 36 ministers are as yet poorly defined, but heavy emphasis probably will be placed on executing the recent social and economic decrees aimed at achieving Nasir's version of "Arab socialism."

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Chile: The conservative government of President Alessandri plans to ask the two major copper companies in Chile-- which are American-owned--to agree to its selling to the USSR 60,000 tons of copper a year for four years, according to an official of one of the companies. The sale would equal about 10 percent of Chile's copper production. The Soviet price is said to be one-half cent per pound above the world market price. Rightist groups in Chile have recently alleged that the Alliance for Progress would be unnecessary as far as Chile is concerned if the US would pay a fair price for Chilean copper. [redacted] *ok*

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SELECTED INTELLIGENCE
REPORTS AND ESTIMATES

(Available during the preceding week)

Prospects for North and South Vietnam: political and economic situation; Communist threat to South Vietnam, including both DRV pressure and insurgent activity of the Viet Cong; outlook for the struggle in the GVN. U.S.I.B. NIE 14.3/53-61. Aug 15'61. [redacted]

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Stability of East Germany in a Berlin crisis: ability of the regime to maintain domestic order; possibility of antiregime action; and capability of the military forces. U.S.I.B. SNIE 12.4-61. Aug 15'61. [redacted] *no*

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Vulnerability of the East German economy to Western countermeasures, suppl.: nature and effectiveness of measures taken by East Germany to reduce its vulnerability; decrease in West Germany's importance as a supplier of NATO exports; recent changes in dependence on imports of selected commodities and on West German and NATO transport services. Tables. E.I.C. Economic Intelligence Report EIC R18-52. 20pp. Aug'61. [redacted]

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Further Retreat From the Commune System
In Communist China

In mid-1959, control over the land, manpower, and tools in rural China passed from the commune to the production brigade, the farm unit equivalent in size and function to the commune's predecessor, the agricultural producer cooperative. This was the regime's first major retreat on collectivization. Reports now being received indicate that control has been transferred from the brigade to the production team--the smallest farm unit.

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Peiping's attempts to retain the illusion of a functioning commune system which no longer has any reality have apparently created organizational confusion in the countryside. Some reports describe the allocation of farm land to individuals and groups of workers; the press has in one case termed production teams too large for efficient management of actual field work and in another said that "equal priority" must be given to production on collective land and land owned by the peasants; and the organizational changes on which detailed information is available are noticeably lacking in standardization.

Reports of official moves to increase incentives in the countryside have also become more frequent. According to the Consulate General in Hong Kong, there have been some increases in

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state prices for major farm products and numerous press articles on the distribution of "incentive grain" to peasants who exceed their production targets. In 1960, specific grain rations were distributed to peasants irrespective of their labor records.

These and other measures taken since the beginning of the year reflect Peiping's urgent concern over agricultural production. The regime apparently realizes that its agricultural programs and organizations have only worked against its efforts to boost crop output, but it appears to be at a loss for acceptable substitutes. [REDACTED]

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Chile Apparently Plans Sale to USSR of Copper
From American Companies

Copper is usually in short supply within the bloc. Chile has not made any direct copper sale to the Soviet Union in recent years.

With 60,000 tons of copper worth nearly \$40,000,000 at current prices, the reported premium offered by the USSR would equal about \$650,000. Chile almost completed negotiations with the USSR last January for a sale similar in amount. At that time only the world market price was quoted, however, and US-owned companies were not involved. The Chilean Government would obtain exclusively from the US-owned companies the copper for the sale now proposed; 20,000 tons refined in the United States would be included.

Chile's first rightist government in over 20 years has recently shown hostility toward private foreign investment. Official statements in the past two months have revealed that new mineral discoveries in northern Chile will probably be entrusted to state enterprises rather than to private investment; these statements have implied that American-owned copper companies are exploiting the country and not meeting their obligations to the workers. This apparent shift in government policy seems to stem chiefly from a rise in nationalism, frustration over the lack of economic progress and national leadership, rightist resentment of US endorsement of socio-economic reform as a condition for participation in the Alliance for Progress, and heightened interparty rivalry.

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THE PRESIDENT

The Vice President

Executive Offices of the White House

Special Counsel to the President

The Special Assistant for National Security Affairs

The Scientific Adviser to the President

The Director of the Budget

The Director, Office of Civil and Defense Mobilization

The Director, National Aeronautics and Space Administration

Chairman, Board of Consultants on Foreign Intelligence Activities

The Department of State

The Secretary of State

The Under Secretary of State

The Director, International Cooperation Administration

The Deputy Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Administration

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

The Treasury Department

The Secretary of the Treasury

The Under Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

The Assistant to Secretary of Defense (Special Operations)

The Chairman, The Joint Chiefs of Staff

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Chief of Staff, United States Army

Commandant, United States Marine Corps

U.S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Director, The Joint Staff

The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Department of Justice

The Attorney General

The Federal Bureau of Investigation

The Director

The Atomic Energy Commission

The Chairman

The National Security Agency

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